STATE OF CALIFORNIA Budget Change Proposal - Cover Sheet DF-46 (REV 08/15)

Fiscal Year	Business Unit	Department			Priority No.					
2016-17	8940	California Military De	epartment		3					
Budget Request Name Progra		Program		Subprogram	5					
8940-302-BCP-		6911 NATIONAL GU	JARD	6911010 ARMY						
Budget Request Description										
Armory Fund: Santa Barbara Armory Asset Enhancement										
Budget Request Summary										
The California	Military Department	is requesting one-time	expenditure auth	ority of \$100,000	rom the Armory					
fund for consul	tant services to sup	port the value enhance Department of Gener	ement of the Sant	a barbara Amilory	Prior to sale. The					
a value enhanc	ement process to p	osition the property for	disposition and to	o maximize the sa	le price.					
a value enhancement process to position the property for disposition and to maximize the sale price.										
Requires Legis	lation		Code Section(s) to be Added/Amended/Repealed							
☐ Yes	⊠ No									
Does this BCP	contain information	technology (IT)	Department CIO Date							
Does this BCP contain information technology (IT) components? ☐ Yes ☐ No			Department of	Date						
		ion Officer mount night								
ir yes, departme	ental Chief Informat	ion Officer must sign.								
		Special Project Report			(FSR) was					
approved by the	e Department of Te	chnology, or previously	by the Departme	ent of Finance.						
☐ FSR ☐	SPR	Project No.		Date:						
If proposal affe	cts another departm	ent, does other depart	ment concur with	proposal?	Yes No					
		rtment, signed and dat			signee.					
	1.				Date					
Prepared By Mr. Thomas W	hite //	Date 25 March 2016	Reviewed By COL (CA) Dayfir	Bender-	25 March 2016					
	V 1									
Department Dir		Date	Agency Secreta	ry	Date					
MG David S. B.	aldwin / 4	25 March 2016								
		Department of Fi	nance Use Only							
Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology										
BCP Type:										
PPBA			Date submitted to the Legislature							
///			7/1/16							

A. Budget Request Summary

The California Military Department (CMD) is requesting one-time expenditure authority of \$100,000 from the Armory Fund to acquire consultant services needed to prepare an economic land-use study for the Santa Barbara Armory, which will assist the Department of General Services – Asset Management Branch (DGS AMB) to significantly increase the property's disposal value. The CMD received authority to divest the Santa Barbara Armory via Chapter 355, Statutes of 2015 (SB 536), chaptered on September 28, 2015. The armory is unique in that its size and location (one city block of approximately four acres in downtown Santa Barbara) makes it a valuable property development opportunity for a qualified buyer.

B. Background/History

Chapter 296, Statutes of 1983 created the Armory Fund in the State Treasury to assist the state in providing the California Army National Guard with suitable armories and support facilities. The balance as of February 29, 2016 in the Armory Fund is \$8,254,935.

Subsequently, Chapter 528, Statutes of 2010 (SB 1481) clarified that all proceeds from the sale, lease, or exchange of an obsolete armory property sold pursuant to Military and Veterans Code §435 shall be deposited into the Armory Fund. SB 1481 passed the Legislature unanimously, essentially confirming that obsolete, deteriorating National Guard armories the CMD desires to divest shall not be deemed surplus property as contemplated by Proposition 60A.

In 2015 the Governor signed SB 536. The new law went into effect on January 1, 2016, authorizing the sale of the Santa Barbara armory, as well as six other obsolete armory properties, with the net sales proceeds replenishing the Armory Fund.

The Santa Barbara armory is very valuable due to its size and location; one 4-acre city block in downtown Santa Barbara. The maximum value of the property depends on the city's entitlement of the property for development. The CMD proposes to use \$100,000 from the Armory Fund to have the DGS AMB hire a consultant to prepare an economic land-use study to guide development of the Santa Barbara armory site. Use of the fund for this purpose is consistent with the fund's intended use; evaluating potential new armory sites, purchasing land, and constructing facilities. Prudence dictates the CMD make this investment to realize the maximum possible return to the state.

The Asset Enhancement/Surplus Sales (AE/SS) Unit within the DGS AMB markets and sells armory properties on behalf of CMD as either "as is", or more lucratively for the CMD, using an asset enhancement process with the potential to achieve the highest market value given current market conditions and community sentiments. The Santa Barbara Armory warrants the asset enhancement approach with its inherent requirement of external consultant services. The AE/SS Unit has a verified, successful track record of generating increased sale prices using this approach.

C. State Level Considerations

Even as the CMD endures a shortage of over one million square feet of Armory and Readiness Center space to meet the minimum facility requirements of its constantly evolving state and federal missions, it continues to evaluate the viability of individual armories within its current portfolio with respect to increased force protection standards (standoff distances) and demographic changes affecting the CMD's ability to meet community support commitments, mission requirements and recruiting potential. Identifying and divesting obsolete or less-optimally sited armories and readiness centers is one aspect of the CMD's asset management process: using resources generated from divestiture of obsolete sites in order to fund the acquisition of new sites and construction of new facilities.

The CMD will use the proceeds from sale of the Santa Barbara armory, along with those from the sale of other armories, to build new, modern armories in locations better suited to its long-term operational capability. It is the state's primary disposal goal to receive the highest possible price for divested realty. Investing \$100,000 from the Armory Fund for a consultant-executed land-use study helps ensure the state meets this goal.

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D. Justification

The CMD proposes to use \$100,000 from the Armory Fund for a consultant-produced economic landuse study to determine the most probable and profitable development of the Santa Barbara Armory site in direct support of the CMD's Strategic Plan (Core Competencies) "Ready Forces" and (Goal 17) to "Improve Training, Basing and Logistic Infrastructure". By maximizing the sales value of the subject armory, the CMD provides resources to provide men and women of the California National Guard with quality installations, enhancing their ability to perform assigned state and federal missions.

The CMD has authority to divest the Santa Barbara armory and this armory's unique size and location makes it a valuable and attractive development property; one 4-acre city block in downtown Santa Barbara. Potential value depends on city approval of future development entitlements.

After discussing various property valuation options with DGS' Real Estate Services Division staff, the CMD determined an economic study of the armory site was the most objective and cost-effective approach to maximize the development potential of the site prior to offering the property for sale, thereby achieving a higher selling price than would be available through an "as is" sale.

The value enhancement of state real estate assets requires the service of external consultants who have real estate development expertise falling outside the experience of the state's professional staff. In this instance, DGS AMB will contract with a consultant incorporating the following disciplines: local entitlement audit and community outreach; land use planning; real estate economics and financial analysis; infrastructure capacity analysis and cost estimating.

The proposed land-use study provides fact-based analysis and a recommended course of action, which improve the likelihood of a zoning density increase being approved with minimal risk of local objection and years of expensive litigation.

E. Outcomes and Accountability

The DGS AMB will enter into a contractual agreement for the external consultant services that are being requested in this SFL. The DGS AMB will follow normal public contract procedures which will include development of the formal scope of services, circulation of the Request for Qualifications (RFQ), interviews of most qualified consultant teams, preparation of the Request for Contract Services (RFCS) and Estimated Value of Services (EVS), and award of the contract.

Final contract deliverables including real estate economics, land use planning, entitlement audit and market studies, and all supporting documentation are made available to CMD and to the Department of Finance.

F. Analysis of All Feasible Alternatives

Alternative 1: Approve the one-time expediture of \$100,000 from the Armory Fund to fund an economic land-use study for the Santa Barbara Armory.

Pros:

- Maximizes the proceeds of the sale of the Santa Barbara armory.
- Better supports the long term operational capability of the Department by raising money for the construction of new modern armories.

Cons:

- Uses money from the Armory Fund that could be used for another infrastructure project.
- May meet with local opposition from groups that want the land for public use.

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Alternative 2: Approve the one-time expediture of \$100,000 from the General Fund (GF) to fund an economic land-use study for the Santa Barbara Armory.

Pros:

- Maximizes the proceeds of the sale of the Santa Barbara armory.
- Better supports the long term operational capability of the CMD by raising money for the construction of new modern armories.

Cons:

- Adds new GF cost to the state.
- May meet with local opposition from groups that want the land for public use.

Alternative 3: Deny the BCP.

Pros:

· No costs are incurred by the state.

Cons:

• The CMD forgoes the study and sells the site 'as-is' to the highest qualified bidder, exposing the state to a potential opportunity cost of as much as \$10 million.

G. Implementation Plan

Upon approval, the CMD will transfer funds to the Architectural Revolving Fund for the DGS AMB to use in preparing the economic land-use study.

H. Supplemental Information

There is no supplemental information to report.

I. Recommendation

Approve Alternative 1 requesting one-time expenditure authority of \$100,000 from the Armory Fund for an economic land-use study of the Santa Barbara Armory site.

BCP Fiscal Detail Sheet

DP Name: 8940-302-BCP-DP-2016-A1

BCP Title: Armory Fund: Santa Barbara Armory Asset Enhancement

Budget Request Summary	FY16							
	CY	ВҮ	BY+1	BY+2	BY+3	BY+4		
Operating Expenses and Equipment 539X - Other	<u>0</u> \$0	100 \$100	100 \$100	100 \$100	100 \$100	100 \$100		
Total Operating Expenses and Equipment								
Total Budget Request	\$0	\$100	\$100	\$100	\$100	\$100		
Fund Summary Fund Source - State Operations								
0604 - Armory Fund	0	100	100	100	100	100		
Total State Operations Expenditures	\$0	\$100	\$100	\$100	\$100	\$100		
Total All Funds	\$0	\$100	\$100	\$100	\$100	\$100		
Program Summary Program Funding								
6911010 - Army - National Guard	0	100	100	100	100	100		
Total All Programs	\$0	\$100	\$100	\$100	\$100	\$100		